MUTIFAMILY IS STILL A FAVORED SECTOR

$551 billion total investment in U.S. commercial real estate in 2019. Multifamily represented 33% of total and largest market share
Texas captured 14% of all U.S. multifamily investment in 2019 - $24 billion

Texas - Major Metros, $24

All Other Markets, $159
TEXAS IS ONE OF HOTTEST REGIONS FOR MF INVESTMENT

16% or 1 in every 6 units bought in U.S. in 2019 was located in DFW, Houston, Austin or San Antonio.

Texas - Major Metros, 189,900

All Other Markets, 961,600
INCREDIBLE DEMAND
HIGH LEVELS OF MULTIFAMILY DEMAND

In past decade (2010 through 2019), major Texas metros absorbed nearly 350,000 multifamily units.

Annual Net Absorption Totals – Major Texas Metros

Source: CBRE Research, CBRE Econometric Advisors, Q4 2019.
**LEADING METROS - NET ABSORPTION**

Robust demand in Texas; four major metros total 45,300 or 15% of U.S. total

<table>
<thead>
<tr>
<th>Metro</th>
<th>Units Absorbed Past 4 Qtrs.</th>
<th>Net Absorption to Inventory (%)*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sum of Markets</strong></td>
<td>299,400</td>
<td>1.9</td>
</tr>
<tr>
<td>1 New York Metro*</td>
<td>40,100</td>
<td>1.8</td>
</tr>
<tr>
<td>2 Dallas/Ft. Worth</td>
<td>19,200</td>
<td>2.7</td>
</tr>
<tr>
<td>3 Washington, D.C.</td>
<td>14,300</td>
<td>2.4</td>
</tr>
<tr>
<td>4 Los Angeles/So. Cal.*</td>
<td>14,100</td>
<td>0.9</td>
</tr>
<tr>
<td>5 Miami/So. Florida*</td>
<td>13,800</td>
<td>2.3</td>
</tr>
<tr>
<td>6 Seattle</td>
<td>12,400</td>
<td>3.2</td>
</tr>
<tr>
<td>7 Chicago</td>
<td>11,700</td>
<td>1.5</td>
</tr>
<tr>
<td>8 Houston</td>
<td>11,400</td>
<td>1.8</td>
</tr>
<tr>
<td>9 Austin</td>
<td>9,900</td>
<td>4.5</td>
</tr>
<tr>
<td>10 Boston</td>
<td>9,700</td>
<td>2.0</td>
</tr>
<tr>
<td>11 San Fran Bay Area*</td>
<td>9,400</td>
<td>1.6</td>
</tr>
<tr>
<td>12 Atlanta</td>
<td>9,200</td>
<td>2.1</td>
</tr>
<tr>
<td>13 Denver</td>
<td>8,600</td>
<td>2.7</td>
</tr>
<tr>
<td>14 Philadelphia</td>
<td>7,800</td>
<td>2.5</td>
</tr>
<tr>
<td>15 Orlando</td>
<td>7,200</td>
<td>3.3</td>
</tr>
<tr>
<td>16 Phoenix</td>
<td>6,700</td>
<td>1.9</td>
</tr>
<tr>
<td>17 Portland</td>
<td>6,400</td>
<td>3.2</td>
</tr>
<tr>
<td>18 Charlotte</td>
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<td>3.3</td>
</tr>
<tr>
<td>19 Minneapolis</td>
<td>5,200</td>
<td>1.8</td>
</tr>
<tr>
<td>20 Nashville</td>
<td>4,900</td>
<td>3.5</td>
</tr>
<tr>
<td>21 San Antonio</td>
<td>4,800</td>
<td>2.5</td>
</tr>
</tbody>
</table>

Numbers on map represent units absorbed in thousands.

Source: CBRE Research, CBRE Econometric Advisors, Q4 2019.
DFW = 7.5 m
+1.3 million
last 10 years

Austin = 2.1 m
+510,000
last 10 years

San Antonio = 2.5 m
+450,000
last 10 years

Houston = 7.0 m
+1.3 million
last 10 years

Combined = 19.1 m
+3.6 million
last 10 years
DFW = 8.9 m
+1.4 million
next 12 years

Austin = 2.5 m
+390,000
next 12 years

Houston = 8.2 m
+1.3 million
next 12 years

Combined = 22.6 m
+3.5 million
next 12 years

San Antonio = 3.0 m
+450,000
next 12 years

2030

San Antonio = 3.0 m
+450,000
next 12 years

Houston = 8.2 m
+1.3 million
next 12 years
RENTERS
STAYING PUT
Urban living

New generation of multifamily housing product
LIFESTYLE CHANGES GENERALLY FAVOR MULTIFAMILY

Many aspects of lifestyle of current younger households are conducive to renting multifamily housing longer (even when single-family is affordable)

- Delayed “trigger points” for homebuying
  - Getting married later
  - Starting families later (or not having kids)
- Renting socially acceptable among professional classes
- Strong appeal of flexibility and ease of mobility from renter tenure

HOMEOWNERSHIP NOT EASILY ATTAINABLE
Buying a house may be desired, but not attainable

- Costs prohibitive to many renters
  - U.S. median sales prices have risen by 7.5% annually for past seven years
- Lack of household savings
- Student debt
- Mismatch between what is affordable and what desired
TEXAS HOME PRICE INDEX
Since recession home values in Texas have risen greater than the U.S., ranging from
U.S. HOMEOWNERSHIP – BY AGE COHORTS
Homeownership rising faster in younger households – a possible drag on multifamily demand

THE TEXAS QUESTION

ARE WE OVERBUILDING (YET)?
DALLAS/FT. WORTH

Supply & Demand

- Pipeline: 33,100 units under construction, second highest total in U.S. after New York

Source: CBRE Research, CBRE Econometric Advisors, Q4 2019.

Annual Rent Change

Vacancy

Dallas/Ft. Worth

U.S.
HOUSTON
HOUSTON

Supply & Demand

Units in 000s
- Completions
- Net Absorption

<table>
<thead>
<tr>
<th>Year</th>
<th>Units in 000s</th>
</tr>
</thead>
<tbody>
<tr>
<td>07</td>
<td>8</td>
</tr>
<tr>
<td>08</td>
<td>4</td>
</tr>
<tr>
<td>09</td>
<td>-8</td>
</tr>
<tr>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>11</td>
<td>4</td>
</tr>
<tr>
<td>12</td>
<td>-4</td>
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<tr>
<td>13</td>
<td>8</td>
</tr>
<tr>
<td>14</td>
<td>4</td>
</tr>
<tr>
<td>15</td>
<td>-4</td>
</tr>
<tr>
<td>16</td>
<td>8</td>
</tr>
<tr>
<td>17</td>
<td>24</td>
</tr>
<tr>
<td>18</td>
<td>16</td>
</tr>
<tr>
<td>19</td>
<td>12</td>
</tr>
</tbody>
</table>

- Demand outpacing supply, but construction pipeline is very high.
- Pipeline: 29,600 units under construction, fourth highest total in U.S. after New York, DFW, Washington, D.C.

Source: CBRE Research, CBRE Econometric Advisors, Q4 2019.
AUSTIN
AUSTIN

Supply & Demand

Units in 000s

- Completions
- Net Absorption

- Pipeline: 16,100 units under construction, eighth highest total in U.S.

Source: CBRE Research, CBRE Econometric Advisors, Q4 2019.
SAN ANTONIO
SAN ANTONIO

Supply & Demand

Units in 000s

- Completions
- Net Absorption

- Construction pipeline: 9,700 units under construction

Annual Rent Change

% change

San Antonio
US

Vacancy

% change

San Antonio
US

Source: CBRE Research, CBRE Econometric Advisors, Q4 2019.

CBRE
INVESTMENT
# INVESTMENT UPDATE – TEXAS MAJOR METROS

Major Texas metros attracted $24.4 billion of multifamily investment, 2019

<table>
<thead>
<tr>
<th>Major Metro</th>
<th>Investment Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dallas/Ft. Worth</td>
<td>10.5</td>
</tr>
<tr>
<td>Houston</td>
<td>6.6</td>
</tr>
<tr>
<td>San Antonio</td>
<td>2.5</td>
</tr>
<tr>
<td>Austin</td>
<td>4.8</td>
</tr>
</tbody>
</table>

Source: CBRE Research, Real Capital Analytics, Q4 2019.
INVESTMENT UPDATE – TEXAS MAJOR METROS

2019 investment higher than 2018

Dallas/Ft. Worth

- 4th for total investment
- 2019 new record
- 9.1% y-o-y increase in 2019
- 1st for unit total (80,100)

Austin

- 11th for total investment
- 2019 new record
- 17.8% y-o-y increase in 2019
- 9th for unit total (27,700)

Houston

- 9th for total investment
- 2019 2nd best year
- -17.8% y-o-y decrease in 2019
- 3rd for unit total (59,300)

San Antonio

- 22nd for total investment
- 2019 new record
- 0.8% y-o-y increase in 2019
- 12th for unit total (22,900)

Source: CBRE Research, Real Capital Analytics, Q4 2019.
INBOUND CAPITAL METRO DESIGNATIONS

Austin & Houston ranked 5th and 7th for cross-border investment in 2019

Top Destinations for International Buyers of U.S. Multifamily ($ Millions)

Source: CBRE Research, Real Capital Analytics, Q4 2019.
TEXAS
MULTIFAMILY
SCORECARD
<table>
<thead>
<tr>
<th>Criteria</th>
<th>U.S.</th>
<th>Dallas/Ft. Worth</th>
<th>Houston</th>
<th>Austin</th>
<th>San Antonio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Performance (rent, vacancy)</td>
<td>B+</td>
<td>B+</td>
<td>B-</td>
<td>A-</td>
<td>B+</td>
</tr>
<tr>
<td>Economy, Household Formation</td>
<td>C+</td>
<td>A</td>
<td>A</td>
<td>A</td>
<td>A</td>
</tr>
<tr>
<td>Lifestyle, Demographics</td>
<td>A-</td>
<td>A-</td>
<td>A-</td>
<td>A</td>
<td>B+</td>
</tr>
<tr>
<td>SF Housing Costs (high costs = more favorable mf demand)</td>
<td>A-</td>
<td>B</td>
<td>B</td>
<td>B+</td>
<td>C</td>
</tr>
<tr>
<td>Matching Demand Levels – short-term (not overbuilding)</td>
<td>B+</td>
<td>B</td>
<td>C</td>
<td>B</td>
<td>B</td>
</tr>
<tr>
<td>Matching Demand Levels – longer-term (building enough)</td>
<td>C</td>
<td>B</td>
<td>B+</td>
<td>B-</td>
<td>B</td>
</tr>
<tr>
<td>Matching New Supply With Current Housing Needs</td>
<td>C-</td>
<td>C+</td>
<td>C+</td>
<td>C+</td>
<td>C+</td>
</tr>
<tr>
<td>Investor Appeal</td>
<td>A</td>
<td>A</td>
<td>B+</td>
<td>A+</td>
<td>C+</td>
</tr>
<tr>
<td>Pricing (for Sellers)</td>
<td>A</td>
<td>A-</td>
<td>A-</td>
<td>A</td>
<td>B+</td>
</tr>
</tbody>
</table>
THANK YOU

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